



## MINUTES

Meeting called to order at 9am

**Board Members Present:** Lou Walter; Robert Harvey; Jean Becker; David Stewart; Glen Lee

Board Members Absent: Councilmember Tim Burgess, Chair; Rod Rich

**Staff Present:** Cecelia M. Carter, SCERS Executive Director; Mike Akiyama, SCERS staff; Tony Smith, SCERS staff; Ben Kalman, SCERS staff; Beverly Yapp, SCERS staff; Lisa Carns, SCERS staff

**Others Present:** Mike Monaco, Song Mondress Law Firm; Carlton Seu, Seattle City Attorney's Office; John McCoy, Legislative Central Staff; Steve Kovac, Seattle City Light; Tom Kirn, Finance and Administration Services; George Emerson, Finance and Administration Services; Merle Overland, ARCSE; Patti Kieval, Local 17; Nate VanDuzer, Legislative Department; Jason Jenks, Moss Adams; Laurie Tish; Moss Adams; Kory Hoggan; Moss Adams; Nick Collier, Milliman; Jennifer Sorcersan, Milliman; Diana Douglas, Local 17; Mark Randall, Gabriel Roeder Smith & Company (GRS); Jessica Wang, City Budget Office; Steve Viney; Kevin Clark; Jeff Skillmare

There was no Public Comment

### Administrative Consent Agenda

#### Minutes:

Provided in the Retirement Board packet was the minutes from the April 12, 2012 Retirement Board Regular meeting and the minutes from the April 28, 2012 Private Equity Educational Session meeting.

Jean Becker and Carlton Seu arrived at 9:04am

### Ratification of Retired Payroll, Office Payroll, Other Payments and Withdrawals

Service	\$9,700,379.88
Beneficiary	\$905,701.06
Disability	\$77,569.52
Pension Payroll – PPE April 30, 2012	<u>\$10,794,603.66</u>
Office Payroll – PPE March 13 and 27, 2012	\$88,941.17
Vouchers Processed – March 30, 2012	\$117,625.66
*Expert and Consultant Services – \$16,339.25	
*Investment Management Fees – \$0.00	
*Interdepartmental Charges - \$65,694.90	
*Miscellaneous - \$35,591.51	

### Immediate Withdrawals of Contributions for the month of April 2012:

Member	Department Name	Position
Anderson, Miracle Shapray	Parks	Parks Aide
Bembry, Reco O	Parks	Rec Prgm Coord
Brower, John W	Library	Librarian
Bryan, Johan I	Parks	Lifeguard Sr
Egger, Michael R	SPU	Pipe Worker
Femenella, John J	DEA	Parking Meter Collector
Forest Jr, Bruce D	Parks	Parks Aide
Free, Carole S	SPU	Maint Laborer

Member	Department Name	Position
Fulton-Brown, Carrie J	Parks	Event Scheduling
Gainer, Tara S	Police	Ident Officer
Gazin, Dena J	SPU	Res & Eval Asst II
Grasso, Kent	SDOT	Transport Planner Sr
Herron, Cody A	City Light	Maint Wkr
Mirasol, Daneka	SPU	Util Rep I
Moynihan, Leslie G	City Light	Plan & Dev Spec II
Ogden, Richelle R	Seattle Center	Painter
Park, Mary C	DPD	Admin Spec II
Pazhouh, Jan M	SDOT	Manager 3
Rambus, Lillian L	Cashier	Cashier
Rollins, Timothy S	FAS	Officer II
Samuel, Tereasure Joy	Library	Librarian
Scully, Shirley	Police	Police Guard
Sheldon, Wade R	parks	Groundkeeper 1
Skinner, Roberta S	Personnel	Util Acct Rep
Williams, Byron K	SDOT	Manager 2
<b>Napoleon, Rose</b>	<b>City Light</b>	<b>Supply &amp; Inventory Tech</b>

Bold entries above indicate refund payout made to beneficiary of a member dying while in active status.

**Withdrawals for a total of: \$647,787.05**

#### **Ratification of Service Retirements for the month of April**

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Ackland, Doreen T	4/3/2012	10	1	SDOT	Acct Tech II - BU	59
Alsup, Timothy I	3/23/2012	20	233	Parks	Maint Laborer	64
Anderson, David A	3/4/2012	30	20	SDOT	Civil Engrng Spec, Sr	59
Berry, Martha F	3/27/2012	6	330	Human Services	Counsler	63
Bowden, Violeta R	3/2/2012	14	238	SDOT	Acct Tech III	59
Brewer, Stephen C	4/3/2012	39	108	City Light	Line C CC	62
Burns, Byron L	3/20/2012	29	4	City Light	Warehouser	53
Carter, Joe L	3/28/2012	31	199	SPU	Civil Engr Spec Supv	63
Chien, Grace Y	3/23/2012	10	168	Vested	Vested	57
Copeland, Kerry L	3/2/2012	30	339	SPU	Trng & Ed Coord, Sr	55
Daniels, Derek J	3/3/2012	20	1	SPU	Truck Drvr, Heavy	55
Daye, Eddie C	4/4/2012	22	108	SPU	Util Acct Rep I	68
Ellisor, Elizabeth A	3/2/2012	16	310	City Light	Res&Eval Asst	69
Faris, Joseph	4/7/2012	33	14	City Light	Enrgy Mgmt Anlyst, Asst	52
Fountain, Virginia L	3/30/2012	13	1	Finance	Admin Staff Asst	64
Foz, Norma V	3/7/2012	20	2	Parks	Acct Tech II -BU	79
Gonzales, Ellen J	3/14/2012	21	283	Police	Ident Data Spec	65
Green, John M	4/11/2012	32	25	SDOT	Info Tech Prof A	60
Hill, Joseph G	3/2/2012	20	10	FAS	Strat Adv II	63
Hillard, Barney H	3/2/2012	5	0	FAS	Manager I	74

Retiree	RetireDt	Years	Days	DeptName	Position	Age
Inglebritson,Scott C	3/28/2012	26	142	City Light	Info Tech Prof	59
James,Joan C	3/3/2012	16	353	DPD	Admin Spec III -BU	71
King,Donna L	3/3/2012	25	122	DPD	Admin Staff Asst	60
Kraft,Elaine J	3/7/2012	0	192	Vested	Vested	60
Lewis,Ronda L	3/28/2012	30	3	Police	Admin Staff Anlyst	51
Luhr,Diane M	4/11/2012	17	93	City Light	Admin Spec II	65
Morrison,Susan D	4/11/2012	32	110	SPU	Info Tech Prof B	54
Murphy,Richard L	4/10/2012	32	30	City Light	Civil Engr Spec,Sr	66
Parker,LaVern	3/28/2012	30	251	Police	Police Dispatch	59
Peralez,Juan S	3/14/2012	29	39	City Light	Plng & Dev Spec II	63
Preus,Mary E	4/3/2012	12	86	Parks	Gardener,Sr	65
Rash,Timothy A	4/6/2012	31	135	Exec	Manager 2	49
Rigali,Patricia R	4/3/2012	23	226	SDOT	Accountant Sr	64
Rinehart,Ann M	4/9/2012	10	321	Vested	Vested	57
Siburg,Jeannette M	3/3/2012	3	84	Vested	Vested	62
Stanchfield,Dennis J	3/27/2012	13	196	Vested	Vested	64
Summer,Angela M	3/28/2012	20	96	DPD	Housing Zoning Insptr, Sr	58
Tate,Gloria L	3/14/2012	38	329	Police	Parking Eng Offr Supv	62
Teshima,Jean S	3/2/2012	32	359	Personnel	Strat Advsr I	59
Tolliver,Karen E	3/2/2012	25	279	SPU	Solid Wst Fld Rep II	60
Tomlinson,John J	3/13/2012	37	236	Parks	Manager 2, Info Tech	62
Tugublimas,J Arthur	3/2/2012	24	255	DoIT	Info Tech Prof C	55
Welsh,Gordon L	3/1/2012	12	181	City Light	Mech Engr Supvr	59
Wermcrantz,Sally S	3/13/2012	16	198	Library	Librarian	63
Wester,William G	3/22/2012	33	249	City Light	Jrnywkr in Chg	60
Whitley,Dennis D	3/23/2012	29	116	Vested	Vested	59
Williams,Cherie J	4/6/2012	22	244	Parks	Public Ed Prgm Supv	71
Williams,Stephen J	3/24/2012	17	41	Vested	Vested	66
Wokal,Linda J	4/6/2012	30	0	CBO	Ex Staff Assist	61
Works,Lawrence G	3/31/2012	38	13	City Light	Cust Svc Rep,Sr	62

For the month of April: 45 new Members entered the System, 19 terminations, 50 Members retired in the System, 6 Members removed (\$6,620.41), 1 Option B, 1 Option C, 3 Option D/E continuations, 1 Option F reduction, and 1 Option G.

**Motion:** Upon motion by Rod Rich, seconded by Bob Harvey, the Retirement Board approved the below items contained in the Administrative Consent Agenda.

- Minutes of the April 12, 2012 Board Meeting and April 28, 2012 Special meeting
- Ratification of Retirement Payroll, Office Payroll, Other Payments and Withdrawals
- Ratification of Service Retirements for the month of April 2012

## **Investment Consent Agenda**

### **Investment Committee Report**

Ms. Carter announced the Investment Committee met on April 26, 2012 at 12noon at the Seattle City Employees' Retirement System Office, 720 Third Avenue, Suite 900 (Pacific Building). Committee members present: Bob Harvey, Member; Glen Lee, Member; Rod Rich; Member; David Stewart; Member. Other Board members present: Jean Becker, Member. Staff Present: Cecelia Carter, SCERS Executive Director; Tony Smith, SCERS staff; Ben Kalman, SCERS staff; Mike Akiyama, SCERS staff; Beverly Yapp, SCERS staff; Lisa Carns, SCERS staff;. Pension Consulting Alliance staff present: Neil Rue, David Sancewich, Mike Moy and Andrew Bratt.

**Investment Summary Accounting Report:**

Provided in the Retirement Board packet was the Investment Summary report that represents the transaction summary and the market value of the investments as of March 31, 2012. SCERS staff reported that as of March 31, 2012, the SCERS total portfolio had a total plan market value of \$1.89 billion. The funded ratio for the plan is 64.77%. The plan reduced its cash balance from \$65 million as of 2/29/2012 to \$9 million as of March 31, 2012, investing \$54 million in the SPDR S&P 500 EFT to get asset class exposure in anticipation of finishing the IMAs for the approved Covered Calls managers.

**Work-Out Portfolio Game Plan:**

Ms. Carter reported that Mr. Moy presented the Work-Out Portfolio memorandum which was prepared to give the Investment Committee a status update on the SCERS' Work-Out Portfolio. The Investment Committee requested that PCA and Staff provide a schedule of each alternative assets expected harvest and roll-off. No motion was necessary.

**Update on Non-U.S. Equity Search**

Ms. Carter reported that Mr. Rue provided the Investment Committee with an update on the searches for an active and/or passive Developed Non-U.S. Equity Manager and an active Emerging Markets Equity Manager. The RFP notification was posted on SCERS website and PCA filtered for qualifications and requested proposals. The next step in the process is PCA will evaluate each of the candidates in regards to their responses to the Required Minimum Qualifications outlined in the RFP. PCA and SCERS Investment Staff will review the RFPs independently and rank accordingly. PCA and SCERS Investment Staff will discuss and compare rankings to identify the finalists for each mandate. PCA and SCERS Investment Staff will present and recommend at the May Investment Committee meeting three finalists to be considered for an on-site due diligence and possible interview. No motion was necessary.

**Lehman Note-Bankruptcy**

Ms. Carter informed the Committee that BNY Mellon notified SCERS to expect a distribution to be made from the Lehman Brothers Holdings Inc. related to securities held within SCERS securities lending account. Further distributions are scheduled to occur semi-annually over the next two years. No motion was necessary.

**Executive Director Report:****Present Investment Advisory Committee Report for Year-End 2011**

Ms. Carter reported that for the year 2011 the Investment Advisory Committee met with the Investment Committee, Executive Director and the Systems' performance consultant four times. The Committee held two additional conference calls with the Executive Director and there were other discussions that occurred throughout the year. The major developments in 2011 included:

1. SCERS staff implemented the new policy asset allocation pursuant to recommendations from the asset/liability study approved by the Board in 2010.
2. Fisher Investments was retained to bring the small cap allocation in line with the Russell 3000 index.
3. The SCERS Board approved the retention of Guggenheim and Parametric for covered call mandates.
4. The SCERS Board approved the retention of PIMCO for a \$70 million GILS mandate.
5. SCERS developed a Workout Portfolio on January 1, 2011 to facilitate the implementation of the new policy asset allocation.
6. The SCERS Board approved the Real Estate investment guidelines. In addition, the Investment Committee recommended that the Board approve the Private Equity Guidelines.
7. The fund performance varies from policy or index due to the results obtained by the fund's investment management firms as well as the actual amount invested in each asset class. The funding ratio at the end of 2011 was approximately 61.4%. Compared to year-end 2007, the funding ratio decreased by 31% (percentage points) primarily due to investment losses, decrease in discount rate and increase in the number of people retiring. SCERS has a mature pension plan with the average age of participants at 57.5 years.
8. The SCERS Board approved a new asset allocation policy in 2010 after the completion of an asset/liability study. Based on simulated data, the new policy portfolio is expected to have an annual return of 7.3% and an annual variability of the expected return of 13.0%. The assumed actuarial long-term rate of return is 7.75%. As reported to the Committee, the value of assets in the retirement fund on December 31, 2011 was \$1,765.6 million. Total fund finished the year marginally flat in markets characterized by heightened uncertainty and extreme volatility.

Ms. Carter announced the 2012 Recommendations include:

1. Advisory Committee should meet with the Executive Director other than at the quarterly investment performance meetings.
2. Search for two additional committee members with applicable experience to serve a four-year term.

3. Initiate a conversation with the Investment Committee about the impact of having an expected annual return that has in the past and is projected in the future to be less than the assumed actuarial long-term return.
4. Specify ways in which the Retirement System can extract more value from the services offered by consultants.
5. Continue to provide transparency and disclosure.

Ms. Carter advised the Board that the Investment Advisory Committee Report for Year-End 2011 will be filed with the Clerk's Office.

#### **Trustee Election Update**

Ms. Carter announced that the ballots were mailed May 4, 2012. The printers neglected to include postage on the return envelopes. SCERS staff worked with Votenet to correct the matter. The Trustee election closes Monday, June 4, 2012 at 5pm Pacific Time. The results will be reported at the June 14, 2012 Board meeting.

#### **Educational Materials – Funding of State & Local Pensions 2011-2015**

Ms. Carter announced the Board was provided a copy of the "Issue Brief – The Funding of State and Local Pensions: 2011-2015" to review at their convenience.

#### **Disability Legislation Update**

Ms. Carter reported the Ordinance was introduced and passed by City Council on May 21, 2012. The Ordinance(#123891) is amending Sections 4.36.145, 4.36.220 and 4.36.250 of the Seattle Municipal Code.

#### **PCA Lawsuit**

Ms. Carter announced she received notification of another law suit filed against PCA. This one is by Members of the Oregon State Retirement Plan. Ms. Carter reported that PCA's contract ends 2013. SCERS is monitoring these two lawsuits against PCA. Ms. Carter reported we will re-visit the PCA contract later this year.

#### **Status of Benefit Enhancements:**

**Information:** The **estimated** current funding level of the Retirement Fund is 64.50% as of February 29, 2012 on a marked-to-market basis.

The above amount is an estimate calculated each month by the Retirement Office staff. As provided by Ordinance 120685, changes to the Floor COLA will occur once the funding level has reached at least 100% and has been confirmed by the Board after commissioning an actuarial valuation.

#### **New Business:**

##### **IDT Presentation**

Mark Randall from Gabriel Roeder Smith & Company (GRS) was present to discuss and answer the Board's questions about the IDT project that was presented by Mr. John McCoy from Legislative Central Staff at the April Board Meeting. Mr. Randall provided the Board with an overview of Gabriel Roeder Smith & Company firm. There was dialogue pertaining to the report presented to City Council. The City Council established a web page: [Developing a Sustainable Retirement System](#) to ensure SCERS members both active and retired as well as the general public are kept informed. There was discussion about the timeframe of making a recommendation on this matter. It was conveyed that the project is in the early stages of conversations with City Council and Executives. There were also questions surrounding SCERS Board responsibilities in the decision making process. The Board requested a future educational session meeting to discuss this matter and for SCERS staff to invite other public Retirement Systems that have considered and moved to the various plan re-designs outlined in the report.

##### **2011 Audit Presentation – Moss Adams**

Laurie Tish with Moss Adams reported the field work for SCERS 2011 audit is complete however unable to issue recommendations due to the pending questions on alternative assets. SCERS Staff reported that the necessary information will be completed by the Investment Committee meeting on May 31, 2012. Moss Adams will present the 2011 Audit findings to the Board at the June 14, 2012 meeting.

**Dashboard Reporting as of March 31, 2012**

Mr. Smith and Mr. Akiyama from SCERS staff presented the report to the Board. The Dashboards outlines the 1<sup>st</sup> Quarter 2012 summary of Investment Activity, data on membership changes for retiree and active members, Retirement Benefits summary, cash flow and performance measures.

**The Board reserves the right to enter into executive session if necessary**

The Board entered into executive session to discuss a potential Litigation matter at 11:05am for 10 minutes. At 11:15am Cecelia Carter and David Stewart announced the Board would be in executive session an additional 15 minutes.

Executive session ended at 11:30am. No action was taken.

**Adjournment:**

<b><u>Motion:</u></b>	Upon motion by David Stewart, seconded by Glen Lee, the Retirement Board voted to adjourn the meeting at 11:30 am.
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David L. Stewart, Secretary